

Message Text

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43

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 EA-11 ISO-00 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

SS-20 NSC-10 L-03 H-03 IGA-02 DRC-01 /174 W

----- 124642

R 311300Z DEC 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 5801

INFO USINT ALGIERS

AMEMBASSY ANKARA

AMEMBASSY AMMAN

AMEMBASSY BAMAKO

AMEMBASSY BEIRUT

AMEMBASSY CONAKRY

AMCONSUL CASABLANCA

AMEMBASSY ABU DHABI

AMEMBASSY DAKAR

AMCONSUL DHAHRAN

AMEMBASSY JAKARTA

AMEMBASSY ISLAMABAD

AMEMBASSY KHARTOUM

AMEMBASSY KUALA LUMPUR

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MOGADISCIO

AMEMBASSY NDJAMENA

AMEMBASSY NOUAKCHOTT

AMEMBASSY RABAT

AMEMBASSY SANAA

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

C O N F I D E N T I A L JIDDA 5785

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BEIRUT PASS BAGHDAD

DEPT PASS CAIRO

KUWAIT PASS DOHA AND MUSCAT

E.O. 11652: GDS

TAGS: PROR, EAID, SA, XA, XB, XF

REF: JIDDA A-078

SUMMARY: ISLAMIC FINANCE MINISTERS CONFERENCE IN JIDDA DECEMBER 15-16 DEVOTED ALMOST ENTIRELY TO DISCUSSION OF ISLAMIC DEVELOPMENT BANK (IDB). COMMITTEE APPOINTED OF 18 NATIONS TO STUDY CONCEPT BUT BANK IS FAR FROM BECOMING REALITY. NEVERTHELESS, NEW FINANCIAL IMPORTANCE OF ISLAMIC BLOC IS SYMBOLIZED BY LARGE ATTANDANCE OF 25 NATIONS AT MEETING. WE EXPECT IDB WILL BE FOUNDED IN NOT TOO DISTANT FUTURE. END SUMMARY.

1. CHIEF ECONOMIST AT SAUDI MONETARY AGENCY DR. MOHAMMAD JAMJOUR HAS BRIEFED US ON MEETING OF ISLAMIC FINANCE MINISTERS IN JIDDA DECEMBER 15-16. MEETING PRIMARILY HAD ON ITS AGENDA THE CREATION OF AN ISLAMIC DEVELOPMENT BANK. CONFERENCE HELD UNDER AUSPICES OF ISLAMIC SECRETARIAT.

2. CONFERENCE DECIDED TO FORM 18-NATION COMMITTEE TO STUDY ALL ASPECTS OF IDB AND APPOINTED TUNKU ABD AR RAHMAN, OUTGOING HEAD OF THE SECRETARIAT, AS CHAIRMAN. HE IS EXPECTED TO APPOINT A REPRESENTATIVE COMMITTEE TO GO INTO ALL THE PROBLEMS OF FORMING SUCH A DEVELOPMENT BANK AMONG MOSLEM COUNTRIES, A PET IDEA OF KING FAISAL. ACCORDING TO JAMJOUR THE KEY PROBLEM REMAINS HOW THE BANK COULD MAKE MONEY OR BE VIABLE WITHOUT INTEREST RATES. DR. JAMJOUR NOTED THAT THE ONLY NEW IDEA DISCUSSED INFORMALLY BY DELEGATES TO THE CONFERENCE WAS THE CONCEPT OF PROFIT-SHARING IN INDUSTRIAL OR OTHER DEVELOPMENT PROJECTS. THE TRANSPARENT DEVICE OF SERVICE CHARGES WAS DISCARDED. (REFAIRGRAM)

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3. EGYPTIANS SENT AHMAD ZENDO, HEAD OF THE CENTRAL BANK, AND AN ADVOCATE OF NON-INTEREST BANKING ALONG GERMAN LINES. EGYPTIANS HAD DRAFTED REPORT ON IDB CONCEPT WHICH THEY SUBMITTED TO CONFERENCE AND THEY ARE EXPECTED TO BE LEADING ADVOCATES IN ESTABLISHING THE BANK.

4. CONFERENCE ALSO DECIDED THAT ISLAMIC FINANCE MINISTERS WOULD HOLD ANNUAL MEETING HEREAFTER.

5. SAG WAS SURPRISED AT THE NUMBER OF OTHER NATIONS (24) WHO SENT DELEGATES TO ATTEND, EITHER THE FINANCE MINISTER HIMSELF OR HIS CENTRAL BANK REPRESENTATIVE. (SEE LIST OF ISLAMIC ADDRESSEE POSTS). NOTABLY ABSENT WERE IRAQ AND SYRIA ALTHOUGH LIBYA ATTENDED.

COMMENT: WE ARE NOT SURPRISED AT ATTENDANCE. FINANCE AND ISLAM NOW SPELL SAUDI ARABIA. WHILE THERE MAY BE DIFFICULTIES IN FORMING THE ISLAMIC BANK BECAUSE OF SAUDI RELUCTANCE TO HAVE IT BECOME ONLY ANOTHER CHANNEL FOR MULTILATERAL AND UNECONOMIC LOANS, THE PROJECTED GROWTH IN SAUDI RESERVES MAY WELL LEAD TO ESTABLISHMENT OF THIS INSTITUTION WITHIN THE NEXT YEAR TO 18 MONTHS.
AKINS

NOTE BY OC/T: NOT PASSED CAIRO.

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NNN

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